



Director of
Central
Intelligence

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National Intelligence Daily

Monday
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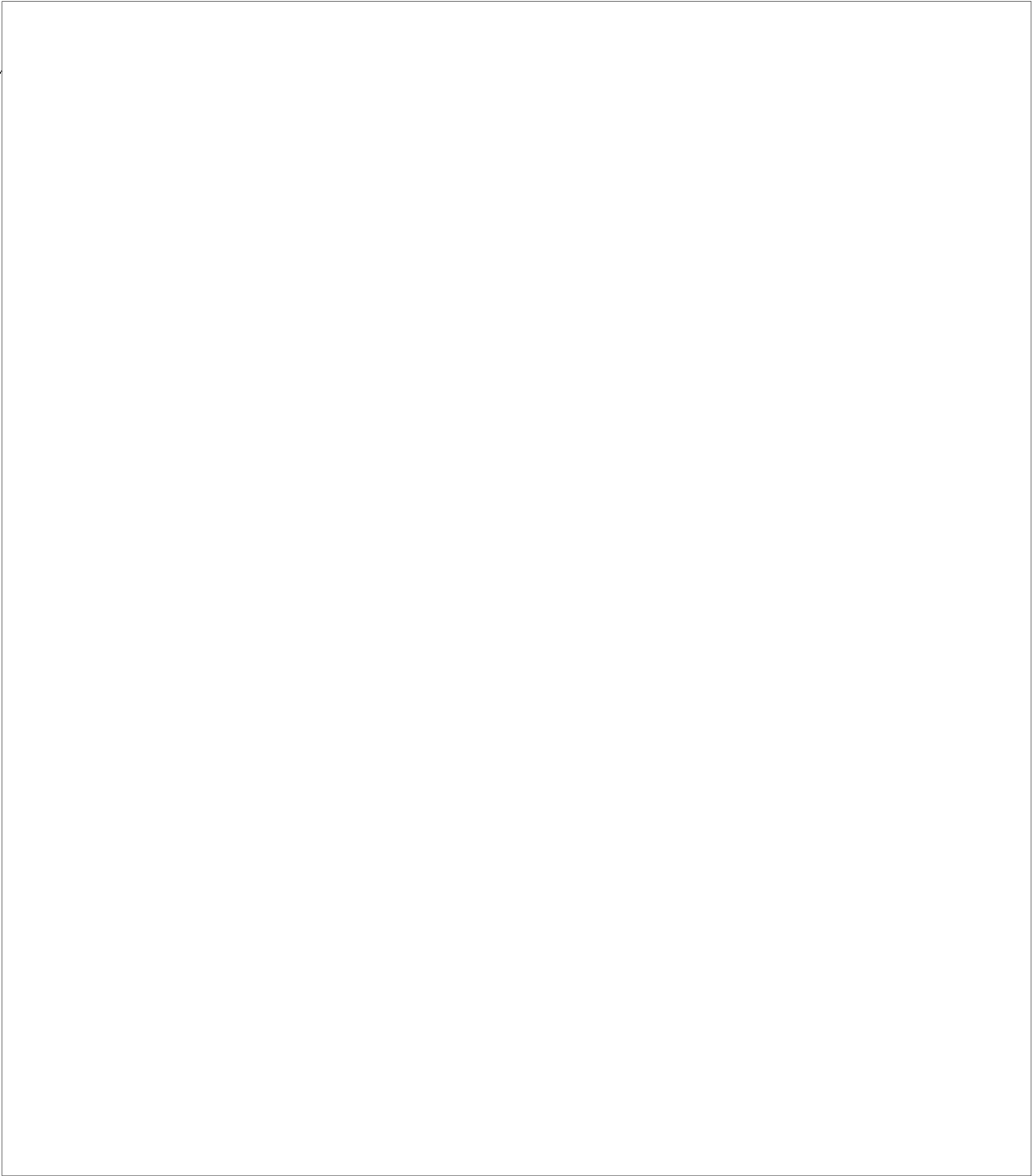
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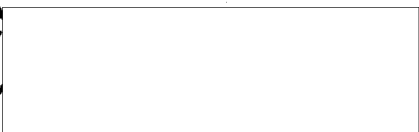
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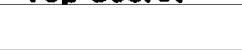
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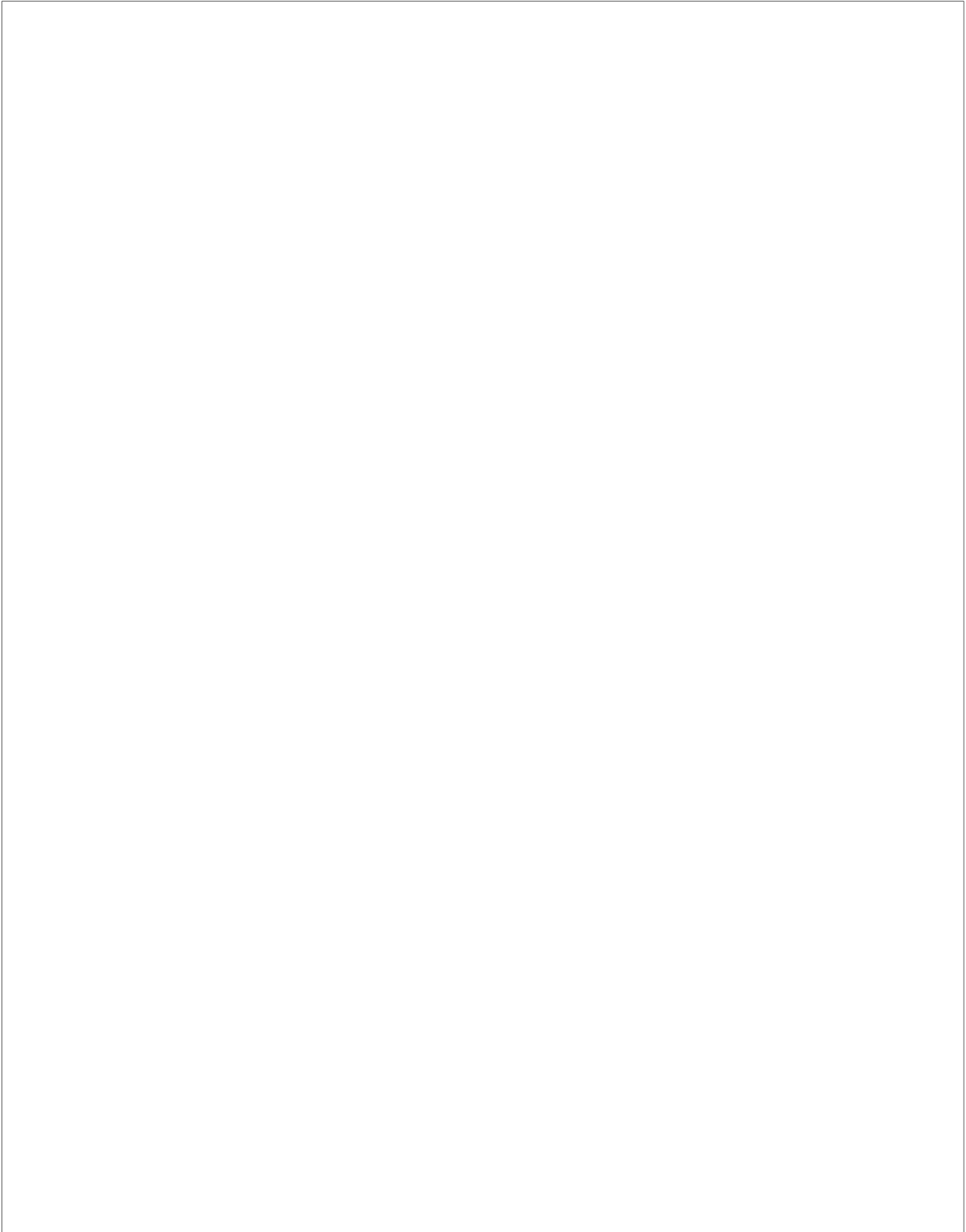


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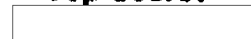


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LEBANON-USSR:

Second Soviet Executed?

(Information as of 0200 EDT.)

The execution of a second Soviet hostage has not been confirmed. If the report of his death is accurate, it would appear that the execution has been timed to coincide with President Gemayel's acceptance of a Syrian-sponsored peace plan for Lebanon, which includes provisions for stationing Syrian peacekeeping forces in Beirut.

The Islamic Liberation Organization, which claims to have kidnapped the four Soviet Embassy personnel on 30 September, originally demanded that Moscow urge Syria to end its assault on Sunni fundamentalists in Tripoli. Since then, the demands of the kidnapers appear to have shifted as callers claiming to represent the group have insisted that President Reagan and General Secretary Gorbachev settle the Lebanese civil war during their meeting scheduled for next month. A caller yesterday claimed the second hostage was killed because the Soviet Embassy in Beirut had not closed down and because Syria's Lebanese allies are continuing to search for the kidnapped Soviet officials.

Comment: Since the murder of the first Soviet hostage on 2 October, the fundamentalist militia in Tripoli has been forced to capitulate to leftist militias backed by Damascus, and a Syrian-imposed cease-fire is being implemented there. If the second murder is confirmed, the kidnapers apparently hope that the death of a second Soviet diplomat will lead Moscow to intervene to halt Syrian plans to station troops in Beirut. Sunni fundamentalists and Palestinians would be the first targets if Syrian troops were deployed in the Lebanese capital.

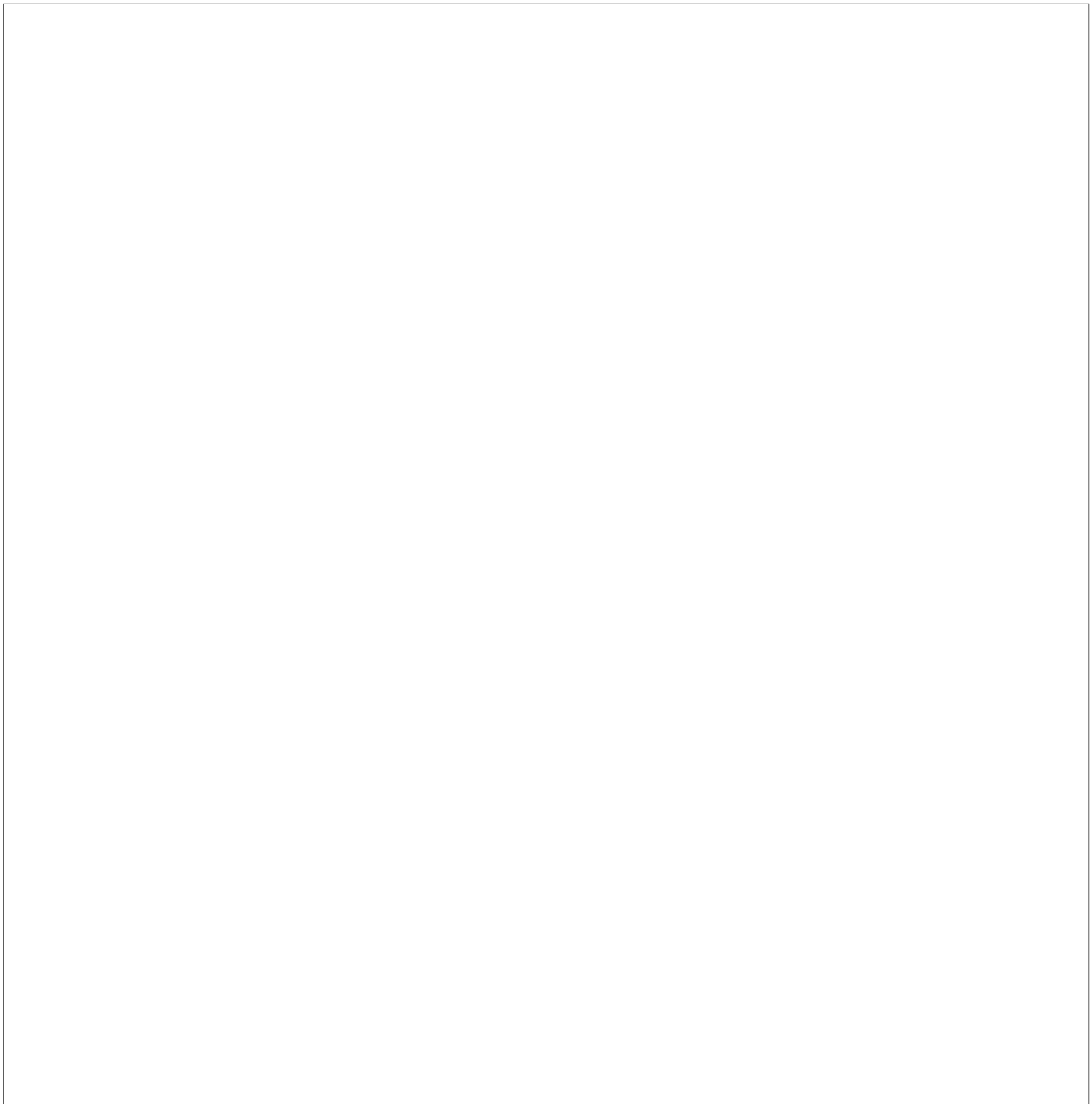
Syria probably suspects the complicity of pro-Arafat Palestinians in the kidnappings. The Beirut-based Sunni fundamentalists believed responsible for the kidnappings are not strong militarily and probably would require the help of more powerful groups to hide the hostages in the face of the intensive manhunt being mounted by the Shia Amal and the Druze militia. The Palestinian camps may be the only Sunni-controlled areas in Beirut where access is denied to Syria's Lebanese allies.

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USSR:

Discussion of Capitalist Incentives

A recent article in Pravda on modernization commenting favorably on the technological benefits of Western-style competition suggests a broadening of the current discussion on economic reform.

The author, a member of the Soviet Academy of Sciences responsible for developing advanced management systems, argues that the "law of the jungle"—even though exploitative—is a powerful force for technological advancement and improved product quality. He states that Western enterprises, which operate under the principle of "survival of the fittest," are forced to produce quality products efficiently or run the risk of being overtaken by their competitors.

He claims the Soviet defense industry, confronted by the competitive threat of US defense programs, works on this principle. As a result, the level of technological development and the quality of output in defense enterprises are superior to that on the civilian side. He also asserts that the military exerts "powerful influence" over the quality of the products it receives and that the civilian economy could benefit from this type of consumer-producer relationship.

Comment: The article generally elaborates on the strategy for industrial modernization outlined in General Secretary Gorbachev's major policy address of 11 June, but its acknowledgment that capitalist competition spurs technology and improves quality is new and unusual in the current discussion on economic reform. The author stopped short of calling for competition in the Soviet economy, but his frank discussion of its benefits in *Pravda* is indicative of the attention the subject is receiving.

The benefits of Western-style competition for the Soviet economy probably would be considerable, but the problems of implementing such a system are virtually insurmountable. The relative success of the defense industry is only partly explained by pressure for superior performance. Defense also receives priority access to scarce resources, the close attention of senior leaders, and a well-endowed experimental base—benefits not easily shared with the civilian sector. The Soviets would probably find open acceptance of unemployment ideologically intolerable. They would also have to develop a system to provide consumer leverage over the quality of products produced for the civilian economy—a function performed in the defense sector by the presence of military representatives at plants.



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CANADA:

Defense White Paper

Ottawa's coming White Paper on defense will neither arrest all of the deterioration of Canada's capabilities in NATO nor ease the implementation of its new policy in the Arctic.

[redacted] Defense Minister Nielsen is drafting a defense policy statement to be issued by the end of the year [redacted] Ottawa is not likely to alter its role in NATO but will spread out plans to modernize military equipment to stay within the 9.3 percent of the federal budget—about 2.2 percent of GNP—allocated to defense in 1985-86. [redacted]

Budget constraints earlier had led Nielsen to consider withdrawing parts of Canada's land and air forces from West Germany. The savings were to be used to expand antisubmarine forces, improve coastal defenses, and establish airbases in the north. Several NATO defense ministers rebuffed Nielsen's plan, however, and it apparently is being modified. [redacted]

Comment: A real increase in defense spending above the 3-percent NATO goal is impossible because Prime Minister Mulroney's Tory government is unwilling to risk the voters' wrath by cutting social spending. Nielsen's plan to reduce Canada's forces in Europe reflects the higher priority he attaches to Arctic defense and NATO roles centered on North America. Despite Mulroney's campaign pledge to enhance Canada's overall contribution to NATO, Ottawa apparently is once again relegating defense to a secondary spot in the political and budgetary pecking order. [redacted]

The unravelling of Nielsen's plan may slow Ottawa's enforcement of recent claims to sovereignty in the Arctic. Without an increased physical presence there, which is probably needed to validate Canada's claims under international law, the Tories are open to charges from the opposition of negligence in protecting Canadian territory and to credible legal foreign challenges to its assertion of sovereignty in the Arctic. [redacted]

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Boris Ivanovich Aristov



Age 60, since 1983 Deputy Minister of Foreign Affairs responsible for relations with Socialist countries. . . had close ties with and was highly regarded by former General Secretary Andropov. . . full Central Committee member since 1971. . . 1978-83 Ambassador to Poland. . . 25 years in Leningrad party structure. . . 1971-78 first secretary Leningrad City Party Committee. . . once considered a protege of then Leningrad Regional Party First Secretary and now deposed Politburo member Grigoriy Romanov, who thought him too ambitious. . . Polish post a demotion. . . regarded as able and vigorous leader.

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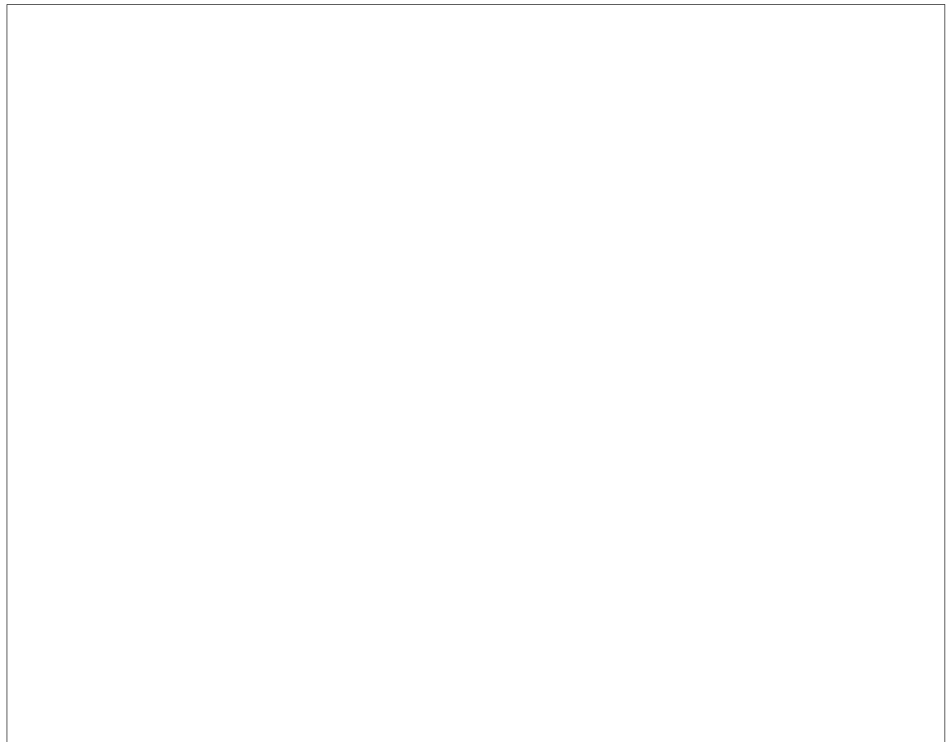
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USSR: Foreign Trade Minister Replaced

TASS announced Saturday that Deputy Minister of Foreign Affairs Boris Aristov had replaced 77-year-old Minister of Foreign Trade Nikolay Patolichev, the third high-level personnel change in the economic sphere in a week. Patolichev, who retired for health reasons, held the post for 27 years. [REDACTED]

Comment: Aristov has no formal background in foreign trade and is primarily a longtime party official, but he has—like new Gosplan Chairman Talyzin—extensive experience in East European affairs. This appointment thus supports recent Soviet policy statements emphasizing increased trade and economic integration within CEMA and continues General Secretary Gorbachev's pattern of bringing outsiders into key ministerial positions. This change comes amid heightened rumors of corruption within the Ministry of Foreign Trade and probably portends further personnel and policy changes in the Ministry. Patolichev's retirement had been rumored for some time. Gorbachev's economic agenda requires a more aggressive approach to management than Patolichev, a holdover from the Khrushchev era, probably was willing or able to provide. [REDACTED]



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SUDAN: Southern Rebels Declare Cease-Fire

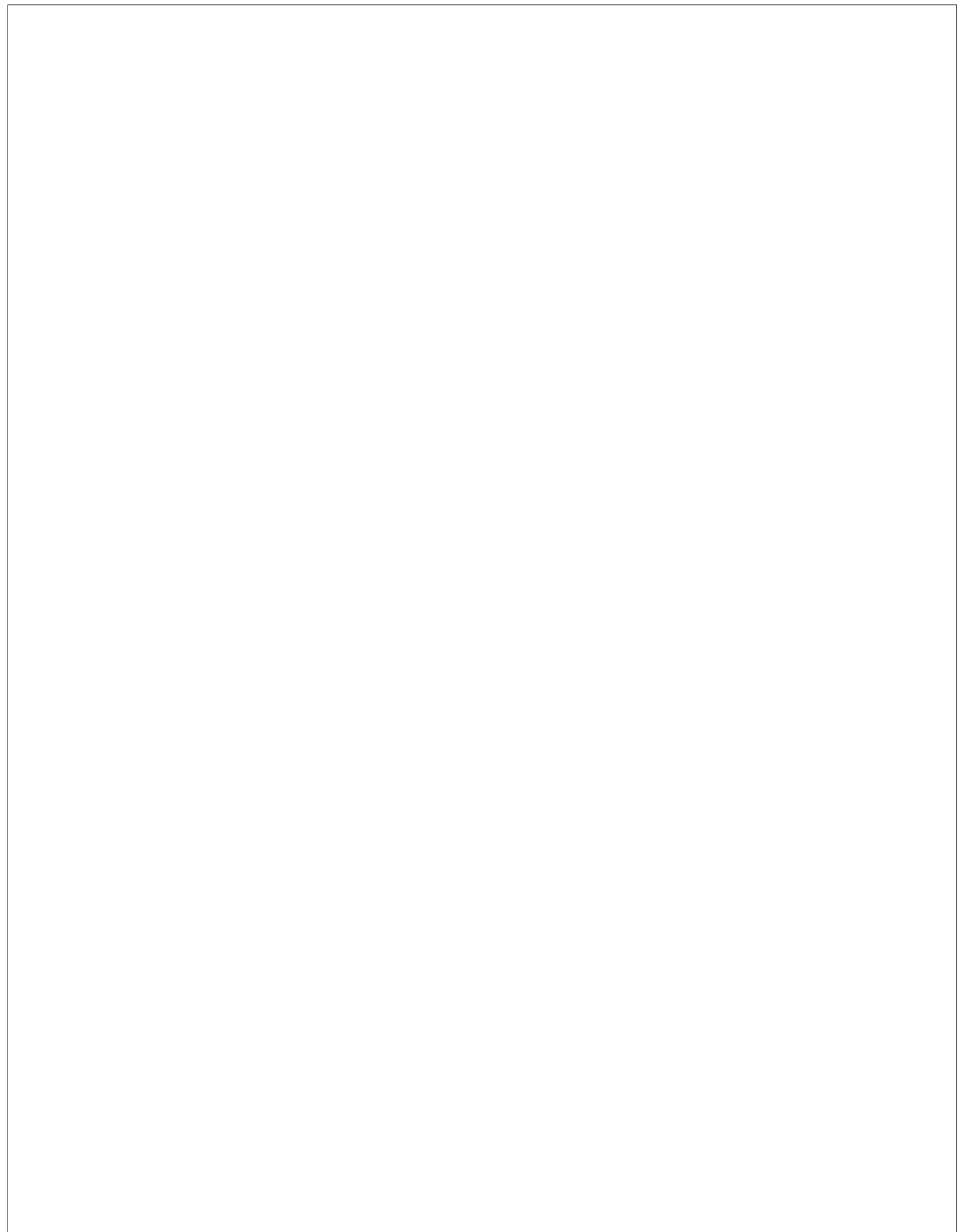
Rebel leader John Garang on Saturday announced a two-week cease-fire in the south to allow civilian groups in Khartoum to study proposals for a national dialogue. His broadcast included contents of a letter sent to Khartoum last month but never released publicly. Garang gave Khartoum the following preconditions for dialogue: public commitment to a national congress to review government structure and to choose a new interim government of national unity, ending the state of emergency, repealing former President Nimeiri's Islamic laws, and cancelling the integration treaty with Egypt and the defense protocol with Libya. Sudan's press yesterday carried positive statements by government leaders but no official response.

Comment: Garang's statement is the most serious public proposal for dialogue he has ever made to Khartoum. The insurgents' intentions, however, remain unclear. Rebel leaders may believe they must move now or lose political clout altogether as the government prepares for a national conference, and they may reason that current weak leaders will make more concessions than any future government. On the other hand, they may simply be buying time as rebel forces in the south regroup and rearm for further attacks against the government.

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In Brief

USSR

- Soviet party leader addressed Socialist International Conference on Disarmament Thursday . . . stated usual themes on disarmament, SDI . . . Soviets still trying to influence European Socialists against US military programs.

Asia

- South Korea yesterday sank North Korean spy boat off coast . . . first detected sea infiltration attempt since 1983 . . . comes one day after P'yongyang's release of South Korean fishing boat captured in North Korean territorial waters on 6 October.

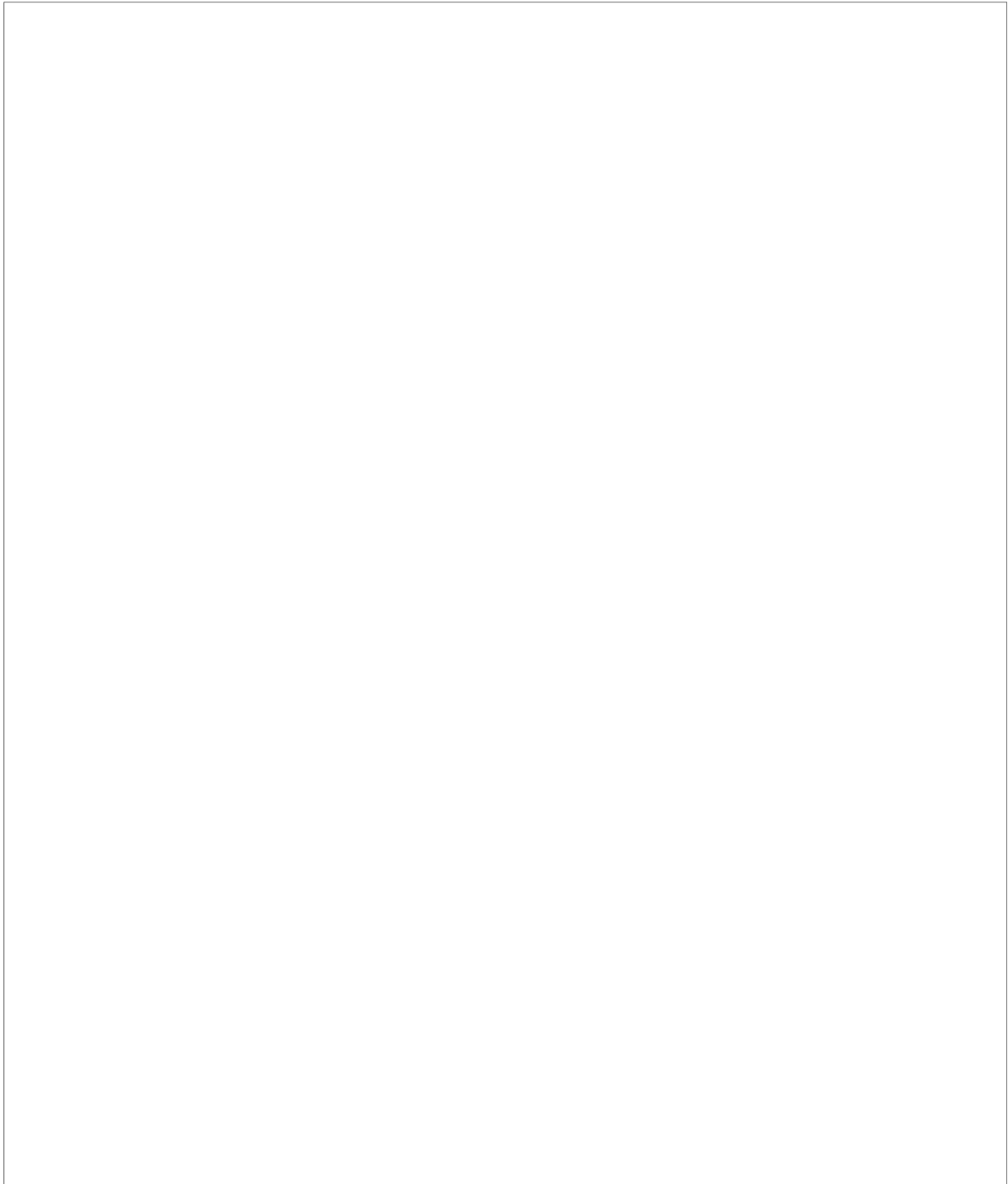
Europe

- Bulgaria reportedly negotiating \$125 million club loan with West German bank . . . third loan since June, raises borrowing to \$450 million this year . . . needed to finance expanded imports of Western capital goods, agricultural products, energy.

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Special Analysis

SOMALIA: The Changing Political Climate

President Siad, who celebrates his 16th year in power today, is taking heavy criticism from senior Somali officials for failing to acquire large amounts of Western assistance to reverse the country's military and economic decline.

Siad is disillusioned with the US and other Western nations because they have not met his high expectations for aid, although Mogadishu has adopted several reforms urged by the US and has provided the US with military access. In an effort to quiet his critics and to develop alternative sources of aid, Siad is trying to distance Somalia from its close identification with the West, the US in particular.

Siad's critics claim he has little to show for his close ties to the US. They say the military has grown weaker and the economy has not benefited appreciably from the partial dismantling of the regime's socialist economic structure. Many Somalis are questioning the President's ability to deal effectively with the country's problems.

The military is unhappy with the West's failure to provide heavy weapons. most senior officers have little use for US military programs that emphasize training—including the training of Somalis to perform maintenance—and refurbishing of Somalia's inventory of aging Soviet weapons. They claim that the refusal of the US to provide modern arms is to blame for the Somali Army's inability to defeat dissidents operating out of Ethiopia and to dislodge Ethiopian troops from disputed border positions.

The ruling Socialist party is the center of opposition to Western-sponsored economic reforms. some Soviet-trained party officials suspect that the US deliberately keeps economic assistance low in an effort to force Siad from office, a view reportedly shared by others in the government and the military.

Many senior officials resent the more open economic climate encouraged by Western aid donors and by the IMF because they benefited from the corruption that the previous system encouraged. They are urging Siad to reimpose many of the regime's socialist policies, even though the economy was near collapse before it was liberalized.

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Edging Away From the West

Siad already has taken a number of measures to blunt the criticism. With backing from his senior commanders, he is trying to improve relations with Libya and the USSR in an effort to limit outside support for the dissidents. [redacted]

Tripoli, in return for Somalia's agreement to renew relations earlier this year, agreed to end its aid to the insurgents and to provide economic aid to Somalia. [redacted]
Moscow also has been receptive to Somali overtures, and [redacted]
[redacted] the Soviets may be tempted to offer limited technical, military, and economic assistance in an effort to weaken US influence in Mogadishu. [redacted]

Siad also has moved to reinvigorate the Socialist Party, which chafes at its waning influence in the face of Western innovations. Party cells, long dormant, have been reactivated, especially in the military and the bureaucracy. Siad, disappointed by the paucity of Western investment in Somalia, apparently has decided to back out of the unpopular IMF-backed reform program unless substantial revisions are made. [redacted]

Outlook

Siad probably will grow more vocal in his criticism of the West, and he will try to make the US a scapegoat for Somalia's ills. Such limited anti-Western moves probably will help appease frustrated Somalis. Siad is unlikely to break with the US, however, because he does not want to risk jeopardizing aid from the West and from conservative Arabs. Libya probably will not provide Mogadishu with all the aid it seeks, because Muammar Qadhafi at present assigns a lower priority to Somalia than other areas. Moscow also is unlikely to respond strongly to Siad's overture because it distrusts him and places a higher priority on its relationship with Addis Ababa. [redacted]
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Special Analysis

**INDIA-PAKISTAN-
US:**

Forthcoming Meetings

Indian Prime Minister Gandhi and Pakistani President Zia are likely to use their first substantive meeting in New York on Wednesday to size each other up and perhaps to raise issues each hopes to bring up with President Reagan later in the day. The two leaders may only repeat their standard positions on the topic of nuclear weapons—the principal issue between them—in their bilaterals' talks. Each will try to demonstrate mutual good will by focusing instead on acknowledged areas of potential cooperation, including the South Asian Association for Regional Cooperation, narcotics, and restoration of communal harmony in Sri Lanka.

Gandhi is unlikely to push Zia hard about the Pakistani nuclear program, although he probably will at least mention his continuing concern. He could also reiterate Indian worries about Islamabad's alleged backing for Sikh extremists.

For his part, Zia is also likely to propose ideas on ways to improve the bilateral relationship. He may suggest regular high-level diplomatic talks in addition to the formal Joint Commission sessions that focus on trade, communications, and cultural exchanges. Zia may also solicit Gandhi's views on whether—as the Pakistanis believe—the Soviets are becoming serious about a negotiated settlement in Afghanistan.

India's Propaganda Campaign

Even if the two leaders skirt the issue in New York, Gandhi's propaganda campaign against Pakistan's nuclear weapons program will be uppermost in their minds. Gandhi has steadily increased his criticism of the Pakistani program and the US role in it. He probably hopes to increase US Congressional pressure on Zia to eschew weapons-related activities in his nuclear program and is likely to step up his campaign in anticipation of Congressional hearings on the Pakistani aid package.

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Gandhi probably calculates that Zia may be sufficiently worried about Congressional reaction to engage in serious bilateral talks on the issue of nuclear weapons in South Asia—including perhaps the no-first-use pact unofficially floated in the Indian press. Gandhi believes progress toward such a pact could allay growing pressure at home to counter nuclear developments in Pakistan by initiating an Indian nuclear weapons program.

Talking to President Reagan

Gandhi's agenda will stress the need for movement on arms control at the US-Soviet meeting in November. Gandhi might be willing to use possible talks with General Secretary Gorbachev on the way back from the UN to promote progress on both arms control and Afghanistan. Gandhi may convey his impatience with the pace of technology transfer, but he might also urge expanded Indo-US cooperation—perhaps in joint agricultural aid to Africa. He may also raise the Sikh issue with President Reagan.

Zia will want to dispose of India's charges on the nuclear issue by offering assurances of Pakistan's peaceful intentions. He will emphasize Islamabad's key role in Washington's Afghan policy as a prelude to a discussion of Pakistan's security and economic assistance needs.

Although both Zia and Gandhi profess concern about the nuclearization of South Asia, neither favors signing the nuclear Non-Proliferation Treaty. Although Pakistan has said it would sign the Treaty if India did, Islamabad knows that New Delhi wants to maintain a nuclear option to counter the Chinese nuclear capability. Both nations argue that the Treaty discriminates against nonnuclear-weapons states by denying them technology and allowing nuclear-weapons states to continue an arms buildup.

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